Health & Retirement Services of Illinois

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OUR NEWS LETTER HRSI

In Our Newsletter

Act fast if you have COVID symptoms

Feeling sick? If you have any **COVID-19 symptoms, act fast!** COVID-19 antiviral treatments can help reduce your symptoms and keep you out of the hospital, but **you must take them as soon as possible**.

Follow these steps to reduce your chances of severe illness:

1. **Get tested as soon as possible.**
    - Medicare covers up to 8 over-the-counter COVID-19 tests each calendar month, at no cost to you until May 11, 2023.
    - You can also search for no-cost **COVID-19 testing locations** near you.
2. **If you test positive, and are more likely to get very sick, talk to your doctor or healthcare provider right away** to find out if treatment is right for you.
3. **If you're eligible for treatment, start as soon as possible.** Treatment must be started within days after you first develop symptoms to be effective.

Consider using a **Test to Treat location** where you can get tested and have the prescription filled, all in one location.

Here's how to use your tax refund to buy I bonds

Kerry Hannon Senior Columnist Fri, March 3, 2023

If you're expecting a tax refund this year, the big question you're probably pondering is what to do with it —take a vacation, pay off some credit card bills, earmark it for some home repairs.

Here's one idea to chew on — buy inflation-protected Treasury I bonds, one of the safest investments around. And the Internal Revenue Service makes it easy by giving you a form to file with your taxes.

True, inflation has slowed, so interest rates on I bonds have dipped from the historically high annualized rate of 9.62% from last year. And they're not a place to set short-term savings — you must hold an I bond for at least a year and you forfeit a quarter's worth of interest if you redeem before five years.

That said, I bonds are still no slouch. Bonds purchased before May earn an annualized yield of 6.89% for six months. That's still the fifth-highest rate since the bond's introduction in 1998, according to Treasury data.

"I bonds offer an attractive way to put your tax refund to work earning interest rather than spending it, which is what a majority of people do with their refunds," Greg Bitz, a senior wealth advisor and certified financial planner at WBH Advisory in Baltimore, MD, told Yahoo Finance.

"I like to think of it as a forced savings tool. There are some limitations as to the amount you can save through your tax refund, as well as holding requirements timing wise. In spite of these limitations this is a good way to lock in an above average return in what is considered a risk free investment."

Nuts and bolts

The I bond rate is made up of the fixed rate, which applies for the 30-year-life of the bond, and a semiannual inflation rate calculated from a formula based on the six-month change in the non-seasonally adjusted Consumer Price Index for all Urban Consumers (CPI-U) for all items.

"I bond purchases made before May of this year will include a 0.4% fixed rate component," Ken Tumin, a senior industry analyst at LendingTree and founder of DepositAccounts.com, told Yahoo Finance. "The fixed rate stays with the I bond for its life. That is added on to the inflation component which changes every six months. That fixed rate component now is the highest it has been since 2018 and 2019 when it reached 0.5%."

The overall 6.89% rate was set in November and applies for the six months after the bond is issued. New rates are set every May and November by the Treasury Department.

"The overall 12-month return for an I bond purchased before May will be at least 4%, which is pretty good considering the tax benefits that come with it," Tumin said.

The bonds also earn interest for 30 years or until they're cashed in, whichever comes first. They're government-backed and guaranteed to keep pace with inflation. The interest is generally free from state and local taxes.

You might be able to partially or entirely exclude savings bond interest from federal income tax when you pay qualified higher education expenses at an eligible institution or state tuition plan in the same calendar year you redeem eligible I bonds. See IRS Publication 970 "Tax Benefits for Education."

How to purchase I bonds with your refund

You can buy I bonds anytime with no fee from the U.S. Treasury's website, TreasuryDirect. In general, you can only purchase up to $10,000 in I bonds each calendar year. But there are ways to increase that amount. For example, if you're using your federal tax refund, you can buy an additional $5,000 in paper I bonds.

The bonds are sold in increments of $25 or more when you buy them electronically. Paper bonds are sold in five denominations: $50, $100, $200, $500, and $1,000 up to $5,000. I bonds are bought at face value, meaning if you pay $100 (using your refund), you receive a $100 savings bond.

To buy paper I bonds directly with your refund, you don't need to open a TreasuryDirect account. Instead, follow the instructions on the Internal Revenue Service's Form 8888 and file that form with your tax return.

Once your tax return has been processed by the IRS, your paper savings bonds will be mailed to you. You can opt to have the part of your refund that you don't want to use to buy I bonds delivered to you either by direct deposit or by check.

The issue date on your bonds — which sets their interest rate — is the first day of the month in which the Treasury's service center receives your refund money from the IRS. So if it logs in your I bond request anytime in March or April, the issue date will be the first day of that month, allowing you to earn that current annualized rate of 6.89% for the next six months.

You can also request bonds in the names of other people, say, your kids, to give as gifts. They will be mailed to you at the address the IRS has on file for you.

Once your savings bonds are issued, you should get them within three weeks. If you're having a slice of your refund deposited directly into your bank account, you may receive your refund before your bonds.

You can also use your refund — or part of it — to buy digital I bonds, but you will, however, need to have a TreasuryDirect account.

To do so, complete Part 1 of the Form 8888 to request your refund be deposited directly into your TreasuryDirect account, then you can buy the bonds directly. On the first part of the form, check the box for the "savings" account option and enter your account number, according to the instructions on the IRS form.

"Buying I bonds with your refund this year can be a smart idea," Derilyn Freeman, a certified financial planner and advisor at Prudential Financial told Yahoo Finance, if you don't have any high-interest debt to pay off or emergency savings to fund.

"When you compare this option to money sitting in a checking or money market account that is now earning much less, if anything at all, I bonds can be a helpful way to grow your money and benefit from a historically high inflationary period."

Find out if you can get help with your internet service costs

If you or someone you know needs help paying for internet service, you may qualify for a **monthly discount on a new or existing internet service plan** through a government program called the Affordable Connectivity Program (ACP).

You may also qualify for a one-time device discount of up to $100, to buy a laptop, desktop computer, or tablet from participating providers.

To apply, visit AffordableConnectivity.gov or call 1-877-384-2575 to request an application. Once your application is approved, you can contact a **participating internet service provider** to start receiving your monthly discount. Only one monthly service discount and one device discount is allowed per household.

Research suggests increased broadband Internet access is associated with improved health outcomes. Broadband makes it easier for people to take advantage of information on **Medicare.gov,** like comparing the quality of nursing homes and hospitals, or finding the health plan that's best for you.

How seniors can manage the looming deadline for mandatory retirement withdrawals

For decades, you've been socking away retirement savings allowing them to grow tax-free. If you turned 72 last year, though, it's time to start taking some of that nest egg out — by April 1.

That's the final deadline to make your first required minimum distribution, or RMD, from IRAs (including SEP and SIMPLE IRAs), 401(k)s, 403(b) plans and other similar workplace plans without incurring a penalty.

It also marks the first of these required withdrawals that you must make every year and the timing could complicate your finances by increasing your income.

"With the 2022 deadline fast approaching, you'll want to prioritize taking your RMD as soon as possible to ensure you meet the April 1 deadline and avoid the tax penalties," Maria Bruno, a certified financial planner and head of U.S. wealth planning research at Vanguard, told Yahoo Finance.

Here's what you need to know.

Nuts and bolts of RMDs

Your RMD is a required annual withdrawal that is taxed as ordinary income. RMDs are usually taken at the end of the year, but those of you who turned 72 during 2022 are covered by a special rule that allows the first distribution to be delayed until April 1 of this year.

While the new law increases the age you must withdraw from your retirement accounts to 73 starting in 2023 and will bump up higher to age 75 in 2033, for folks who turned 72 in 2022, the mandatory distribution is due in a handful of days.

One exception that may let you kick your RMD from an employer-sponsored 401(k) or (403(b) plan even further down the line is to stay on the job. You can find more information about that here.

The amount you must pull out is calculated by dividing your tax-deferred retirement account balance as of Dec. 31 of the preceding year by a life expectancy factor that corresponds with your age in the IRS Uniform Lifetime Table. As your life expectancy declines, the percentage of your assets that must be withdrawn ramps up. If you reached age 72 in 2022, your first RMD is based on your account balance on December 31, 2021.

Of course, you can withdraw more than required, but that distribution in excess doesn't count towards your required amount for future years.

If you have multiple accounts, you'll need to calculate your RMD for each IRA and employer-sponsored plan separately. When you take distributions from your IRAs, you can withdraw them from any account you choose. Employer plans work differently. You have to take each required withdrawal amount separately from each account.

Married couples must take their distributions separately. You can't combine the total amount you each are required to withdraw and only pull from one spouse's tax-deferred account.

Getting help with the calculations

Without question this is a daunting process when you go it alone. A tax professional can help you suss out the amount you must take each year, or you can use an online calculator such as this one AARP provides, or this one Fidelity has on its website. The IRS also provides worksheets.

"Luckily, most companies, including Vanguard, will calculate your RMD for you, which can make this process much easier for the average investor," Bruno said.

Typically, the firms will let you know in January what your required amount will be for the coming year, and you can opt to have your withdrawals spread out over the year. Say, for example, you have a $50,000 mandatory distribution for 2023, you could schedule a monthly withdrawal of roughly $4,166.

Fallout of missing or miscalculating your RMD withdrawal

If you fail to take your 2022 withdrawal by April 1, you will be hit with a 50% penalty on the amount not distributed. Under a new law, for tax years beginning after December 29, 2022, seniors who fail to take the required minimum distribution, the penalty drops to a 25% on the amount. But if you correct your mistake generally within two years, the penalty could be reduced to 10%.

The penalty may also be waived if you can make the case that the mistake in distribution was due to "reasonable error and that reasonable steps are being taken to remedy the shortfall," according to the IRS. To qualify for this relief, you must file Form 5329 and send a letter explaining what happened.

The rules, however, do not apply to Roth IRAs while the owner is alive. The rules do apply to the beneficiaries of Roth 401(k) accounts.

Moving forward, automating your withdrawal can avoid the penalties of forgetting to take it or miscalculating the amount required for you to take. Some plan providers and custodians permit you to set up automatic withdrawals, based on the same criteria of age and year-end account balances, with the proper amounts calculated and then withdrawn and sent to you by check or direct deposit on the date you select.

You can also opt to have taxes withheld in advance. If you don't, make sure you set aside money to cover that bill.

Double hit in 2023

For those taking their first withdrawal, "the biggest thing is to realize that you will have to take two RMDs in this calendar (tax) year," Jim Blankenship, a certified financial planner at Blankenship Financial Planning in New Berlin, Illinois, told Yahoo Finance.

If you're withdrawing that required amount for the first time from retirement accounts by April, brace yourself, you must also take another distribution at the end of the year. Your second RMD is due by Dec, 31, 2023, based on your account balance on Dec. 31, 2022.

Both distributions will be reported on your 2023 federal tax return, seriously boosting your taxable income.

"You will want to plan ahead and consider the implications of the additional taxes in one year," Bruno said. "For example, not only will the increase in income potentially push you into a higher marginal tax bracket, but it could also trigger some additional taxes, such as taxation of Social Security benefits or Medicare Part B premium surcharges."

Here's how that works: If you file a federal tax return as an individual and your combined income — adjusted gross income, plus nontaxable interest from investments and one-half of your Social Security benefits — is between \$25,000 and \$34,000 (or \$32,000 to \$44,000 for joint filers), you may have to pay income tax on up to 50% of your benefits. If you earn more than \$34,000 (or more than \$44,000 for joint filers), up to 85% of your benefits may be taxable.

Your RMD can also have repercussions on your Medicare premiums.

Premiums are based on your modified adjusted gross income, or MAGI. That's your total adjusted gross income plus tax-exempt interest. If you have higher income, you might wind up paying an additional premium amount for Medicare Part B and Medicare prescription drug coverage. The standard rates bump up for individuals with a MAGI above \$97,000 and for married couples with a MAGI above \$194,000.

"Medicare Advantage premiums are not based on income," Philip Moeller, a Medicare and Social Security expert and principal author of the "Get What's Yours" series of books about Social Security, Medicare, and health care, told Yahoo Finance. "But high-income surcharges apply to all Medicare enrollees, including Medicare Advantage enrollees.

The surcharges apply to Parts B and D of Medicare. Everyone with an MA plan has to first have Part B, and nearly everyone in an MA plan also gets a Part D plan."

Trimming the tax bill

There are ways to reduce your tax liability, though.

For some retirees, the mandatory RMD can be "an opportunity to take advantage of the Qualified Charitable Distribution," Danielle Howard, a certified financial planner with Wealth By Design in Glenwood Springs, Colorado, told Yahoo Finance. "A person can have their custodian or retirement plan administrator send the withdrawal directly to a qualified non-profit, which keeps it off the individual's tax return."

For those who are at least age 72, these charitable distributions count toward your required minimum distribution for the year. You can exclude from gross income up to $100,000 annually. One caveat: 1099 Forms do not show that the distribution was given to charity.

"The IRA owner needs to communicate with their CPA and make sure they know not to include the distribution in income," Howard said.

And just because you have to pull the money out of a tax-deferred plan doesn't stop you from reinvesting those funds, according to Rita Assaf, vice president of retirement at Fidelity Investments.

"For those who may not need their RMD funds yet, you can re-invest it into a non-retirement account," Assaf told Yahoo Finance. "One note of caution here is that you might need to sell investments to make your RMD funds available, but some firms will allow you to fulfill your required minimum distribution by moving investments in-kind."

To contact us: go to www.healthcareil.com or Call (800) 739-4700